



The National Coalition on Health Care Specifications for Reform: Impacts on Health Care Spending and Federal Costs

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Overview



NCHC Specifications

- All Americans covered within 2 to 3 years after enactment of legislation
 - Range of options outlined including population based and employer based coverage
 - Subsidies income related
- Cost Management
 - Objective: Covered benefits rise at GDP per capita (about 4%) within 5 years of enactment



Overview



- **Cost Management (continued)**

Cost Savings Occur Through

- Reduction in administrative costs – particularly on transactions
- Acceleration of CPOE diffusion
- Accelerated use of automated patient safety, error reporting system
- Reduction in variations in clinical treatment
- Controls on provider payments and premiums to assure target rate of growth.



Overview



- **Improve Quality and Safety**
 - National practice guidelines
 - National information technology infrastructure
 - Develop information about the effectiveness and cost-effectiveness of care
- **Financing**
 - Covering the uninsured will eventually reduce the cost shifts to private sector
 - Payment equity among public (Medicaid) and private payers. Medicaid payments to be adjusted beginning in 2010.



Big Picture Implications of NCHC Specifications



- Cost of inaction is high. Absent reform, over 54 million uninsured by 2015, NHE totals \$3.8 Trillion – 19% of GDP compared to 15.6% today.
- Key performance measures continue to deteriorate
 - Safety-net
 - Medicaid – impacts state budgets
 - Continued high and rising health care costs
 - Rising uninsured and uncompensated care
 - High number of preventable medical errors
 - Major gaps in clinically appropriate treatment of chronic disease



NCHC Specifications Several Approaches Consistent NCHC Specifications



Scenarios

- Employer mandate supplemented by individual mandate
- Expand existing public programs to expand coverage
- Develop new program modeled after the FEHB
- Universal publicly financed program



Common Assumptions



- Estimates are consistent with broad range of approaches
- Employers, households, governments all participate in financing
 - Employers pay 75% premium or (payroll tax)
 - Workers above 150% poverty pay pro-rated share and full 25% share by 300% poverty
 - Adults under 150% receive full subsidies
- Core benefits based on Blue Cross Blue Shield Standard Option in FEHB. Employers offering less generous coverage must “upgrade”



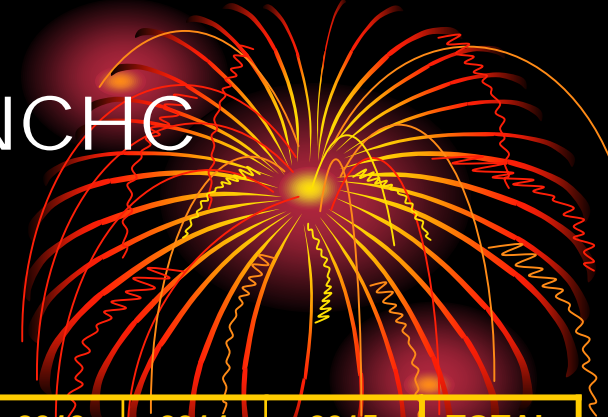
Change in National Health Expenditures Under NCHC Specifications (Billions \$)



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>CURRENT NHE</u>	2,077.5	2,232.9	2,399.2	2,573.3	2,753.9	2,944.2	3,146.3	3,360.7	3,585.7	3,839.9
<u>SCENARIO 1</u>	2,087.9	2,260.6	2,435.1	2,588.5	2,705.2	2,918.1	3,099.1	3,291.0	3,493.3	3,714.3
<u>SCENARIO 2</u>	2,087.9	2,260.6	2,435.1	2,588.5	2,705.2	2,918.1	3,099.1	3,291.0	3,493.3	3,714.3
<u>SCENARIO 3</u>	2,085	2,256	2,430	2,583	2,700	2,914	3,094	3,286	3,487	3,709
<u>SCENARIO 4</u>	2,052.5	2,175.9	2,309.2	2,473.3	2,642.9	2,821.2	3,010.3	3,211.7	3,422.7	3,657.9



Change in Spending Under NCHC Specifications (Billions \$)



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>TOTAL</u>
<u>SCENARIO 1</u>	10.4	27.7	35.9	15.2	-48.7	-26.1	-47.2	-69.7	-92.4	-125.6	-320.5
<u>SCENARIO 2</u>	10.4	27.7	35.9	15.2	-48.7	-26.1	-47.2	-69.7	-92.4	-125.6	-320.5
<u>SCENARIO 3</u>	7.5	23.10	30.8	9.7	-53.9	-30.2	-52.3	-74.4	-98.7	-130.9	-369.6
<u>SCENARIO 4</u>	-25	-57	-90	-100	-111	-123	-136.0	-149	-163	-182	-1136



Change in Spending for Employers Currently Offering Insurance Under NCHC Specifications (Billions \$)



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>SCENARIO 1</u>	0.1	-11.3	-30.6	-49.8	-69.3	-90.2	-110	-131.2	-160.7	-195
<u>SCENARIO 2</u>	0.1	-11.3	-30.6	-49.8	-69.3	-90.2	-110	-131.2	-160.7	-195
<u>SCENARIO 3</u>	0.1	-11.3	-30.6	-49.8	-69.3	-90.2	-110	-131.2	-160.7	-195
<u>SCENARIO 4</u>	-11.5	-19.2	-28.7	-39.1	-49.7	-62.2	-74.9	-88.3	-101	-121.2



Change in Spending for Workers Insured Today Under NCHC Specifications (Billions \$)



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>SCENARIO 1</u>	0.2	-3.8	-11	-18.2	-25.4	-33.2	-40.6	-48.4	-59.4	-69.5
<u>SCENARIO 2</u>	0.2	-3.8	-11	-18.2	-25.4	-33.2	-40.6	-48.4	-59.4	-69.5
<u>SCENARIO 3</u>	0.2	-3.8	-11	-18.2	-25.4	-33.2	-40.6	-48.4	-59.4	-69.5
<u>SCENARIO 4</u>	-.38	-6.4	-9.6	-13	-16.6	-20.7	-24.9	-29.4	-33.7	-40.4



"Net" Federal Spending Under NCHC Specification in Billions 2006-2015



	SCENARIO 1	SCENARIO 2	SCENARIO 3	SCENARIO 4
New Spending	\$1,013	\$987	\$1,013	\$8,161
Sources of Financing				
Disproportionate Share (Lower Uncompensated Care) Savings	(\$157)	(\$157)	(\$157)	(\$157)
Higher "Indirect" Tax Receipts Linked to Employer Savings	(\$90)	(\$90)	(\$90)	(\$100)
Payroll Tax Receipts	\$0	\$0	\$0	\$7883
TOTALS	\$766	\$740	\$766	\$21



Conclusions



- NCHC Specifications Among Most Comprehensive Plans – Particularly With Respect to Cost Management
- Covering the Uninsured Provides Substantial Financial Savings To State and Local Governments and Those Currently Insured
- Would result in higher “value” health care system

